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C O N F I D E N T I A L SECTION 01 OF 03 DILI 000255

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TAGS: [PGOV](#) [KDEM](#) [TT](#)
SUBJECT: ELECTION RESULTS GIVE WAY TO RENEWED POWER STRUGGLE

REF: DILI 252

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CLASSIFIED BY: Elizabeth S. Wharton, Political/Economic Officer,
U.S. Embassy, Dili, East Timor, Department of State.
REASON: 1.4 (b), (d)

¶1. (SBU) Summary: Although the announcement of the validated election results are still pending, East Timor's electorate and parties have virtually without exception already accepted the results announced at the end of the counting process on July 5. The question that all are now grappling with is not about the outcome, but rather about what this outcome means in forming the next government. The leadership of the National Congress for Timorese Reconstruction (CNRT), the Social Democratic Association of Timor and the Social Democratic Party (ASDT/PSD) coalition, and the Democratic Party (PD) on July 6 announced that they were coming together to form a majority alliance and would propose to form a government if invited by the President. Former President and CNRT head Xanana Gusmao would be the most likely Prime Minister in this scenario; the ruling FRETILIN party would have no formal role except as opposition party. Meanwhile, in contrast with its pre-election stance that it would go into the opposition with anything but a clear majority, FRETILIN has come out strenuously defending that it has the right as the party receiving the most votes (29% versus second place CNRT's 24%) to take the lead in forming the next government. In making its case, FRETILIN has asserted its willingness to participate in a national unity or "inclusive" government, an idea soundly rejected by the alliance grouping, but has also expressed a readiness to lead a minority government. A marathon of meetings, press conferences, exchanges of letters, and various efforts at providing good offices have left these two mutually exclusive positions intact at close of business on July 9. Meanwhile, President Jose Ramos-Horta, has expressed some contradictory views on the matter but most recently indicated his preference for a national unity government, possibly led by FRETILIN. Given the political and constitutional ambiguities at play, as well as the mutual animosities involved, we do not expect easy resolution. Again, East Timor's fragile democracy is about to be seriously tested. End summary.

12. (U) With the national count having finished on July 5, the results of the June 30 parliamentary election are now in the final stages of being verified. Final announcement of the verified results is expected July 11 or 12. However, in light of the generally smooth conduct of the elections and counting process, the announcement of the official results will likely be regarded with only passing interest. The count as it stands is generally regarded as valid and accurate. The National Elections Commission (CNE) recently turned its energies to addressing the complaints received in relation to the June 30 poll. While the number of complaints filed during the campaign exceeded the number filed for either of the presidential election rounds, the polling and counting complaints went down in comparison to the presidential polling and none were classified as having the potential to affect the results.

13. (SBU) Within less than 24 hours of the completion of the national counting process, CNRT, ASDT/PSD and PD's leaders in a press conference on July 6 announced that they were creating a formal alliance, with a combined parliamentary majority, which would be ready to form a government if invited to do so by President Ramos-Horta (see reftel). The event, held at the central Hotel Timor, was a crowded affair attended by virtually all of Dili's policy wonks, journalists, etc., and conveyed a sense of inevitability that East Timor's next government was being announced. While there was no formal agreement signed, they stated that a working group would be formed immediately to work on the formal aspects of the coalition. There also was no announcement of who would become the prime minister, a position for which both CNRT president Gusmao and PSD president Mario Carrascalao are said to be vying. Gusmao appears to have the advantage given its greater voter support and the fact that many in PD also support him for prime minister. However, a greater potential threat to the alliance comes from divisions within PD over the decision to join this coalition. Although our assessment is that most of PD's grassroots support the alliance with CNRT, the party's leaders took the decision without the

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extensive party consultation that typically precedes such decisions. Several within the national leadership are therefore opposing the decision and have held discussions with FRETILIN. Nevertheless, the alliance, which held an initial meeting with Ramos-Horta on the evening of July 6, has moved forward with discussions on their specific terms of reference and on who would occupy which key national position.

14. (SBU) Beginning with a press conference on July 6, held simultaneously with the Alliance's announcement -- and thus to a virtually empty house -- FRETILIN has unequivocally rejected the CNRT-led alliance as both premature and illegitimate. FRETILIN is now conveying a clear message to its supporters, other parties and the public at large that it was the winning party (29% versus second place CNRT's 24%) and as such must lead, or at least have a central role in, the next government. This is in contrast with the consistent assertion by its leaders pre-election that if they did not gain an absolute majority in the parliamentary elections they would go into opposition. Its ambition buoyed by the failure of Gusmao and CNRT to whittle any support from its base (its outcome in the parliamentary election virtually equal to the votes garnered in the first round of the presidential referendum), FRETILIN is pushing on several fronts.

First, as referenced above, party members have been in ongoing discussions with members of the Democratic Party (PD) who are in disagreement with PD's alliance with CNRT. Second, FRETILIN has taken onboard President Jose Ramos-Horta's stated desire to form an "inclusive" or "national unity" government (see below) and attempted over the weekend of July 6-7 to reach out to all parties with a letter proposing that they work jointly toward this end. According to our current information all members of the Alliance have rejected the proposal outright. (FRETILIN leader Mari Alkatiri received the first rejection letter from CNRT in the middle of a party press conference on July 9.) If its efforts to build a coalition or national unity government fail, FRETILIN's leaders have clearly stated that they would

then consider it their right to form a minority government.

15. (C) The most concerning initiative by FRETILIN are the efforts underway to mobilize the "FRETILIN youth". On July 8, Minister of Labor Arsenio Bano led a party youth meeting in Dili. A participant in that meeting reported that he asserted that having received the most votes of any party, FRETILIN must lead the next government. He went on to state that the party was open to participating in an inclusive or national unity government but under no circumstances could go into the opposition. Bano stated that similar youth meetings were being held in the eastern districts of Baucau and Viqueque and said that the party was counting on its youth supporters to stick with it through this "very difficult moment." A reliable Embassy journalist source confirmed that a large meeting took place in Baucau over the weekend, and described the current youth mobilization as "very dangerous". This youth dynamic was on display at FRETILIN's July 9 press conference, attended by over 200 youth supporters who effusively welcomed the party leaders with shouts of "Viva FRETILIN!" and "FRETILIN must govern!" Alkatiri, in what has been widely interpreted as a veiled threat, emphasized that the party's voters will not understand or accept if FRETILIN as the "winning" party is not in government. The threat was less veiled in the back of the room where some of the youth present said that if FRETILIN does not govern, "there will be a fight again."

16. (C) President Ramos-Horta who is constitutionally empowered to designate the next prime minister and government, has been carrying out a series of consultations with the parties. His statements on the issue of government formation have been inconsistent, in one interview on July 5 expressing the possibility of a government without FRETILIN, but in more recent conversations indicating a strong preference to appoint a FRETILIN-lead government. He has also been promoting the idea of a national unity government. In a conversation reported to us by a representative of the International Republican Institute (IRI), he stated that he did not think it was that important for East Timor to have a strong opposition at this time and that what the country needed was national unity. Ramos-Horta also has noted the divisions in PD and stated that if there was a FRETILIN-PD alliance he would not hesitate to invite them to form the government. However, so far it seems that FRETILIN is the only major party on board with his proposed national unity

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solution.

17. (C) Comment: Rather than presenting a clear path out of the last year of crisis and instability in East Timor, there is now concern that the post-election power struggle may only push it into a new phase. There is no clear way out of the current conundrum and shifting to the establishment of a stable and effective government will be difficult and is not a forgone conclusion. If the CNRT-led alliance manages to establish a government, then in addition to its potential internal instabilities, it will face a FRETILIN opposition that is clearly intent on playing hardball and may be ready to foment unrest in the interest of solidifying its base, even at the expense of undermining the government. FRETILIN at this point appears ill-positioned to be able to form a competing alliance. If it instead forms a minority government, it will likely find itself unable to pass a government program or budget, an eventuality that in time will trigger the fall of the government and the need for new elections. The idea of a national unity or "inclusive" government may strike Ramos-Horta and others as the only way out, but arguably presents even greater downsides to the country's governmental effectiveness. The good offices of the resident UN senior representative are being actively utilized in the process of forming a government and he personally remains very upbeat. In our interactions, we will stress to all parties and President Ramos-Horta that they should work toward a solution that reflects the democratic will of the Timorese people, is consistent with their constitution and will result in a more representative and effective government. End comment.

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